

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10  
L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11  
ACDA-12 /078 W  
-----110724 080908Z /11

R 071650Z JUN 78  
FM AMEMBASSY REYKJAVIK  
TO SECSTATE WASHDC 8467  
INFO AMEMBASSY COPENHAGEN  
AMEMBASSY OSLO  
AMEMBASSY STOCKHOLM  
COMICEDEFOR KEFLAVIK IC  
CINCLANT NORFOLK VA  
CINCEUR VAIHINGEN GE

C O N F I D E N T I A L SECTION 1 OF 2 REYKJAVIK 0763

E.O. 11652: GDS  
TAGS: PINT, IC  
SUBJECT: ELECTION WATCH: THE CAMPAIGN BEGINS

SUMMARY. ICELAND'S NATIONAL ELCTION CAMPAIGN FORMALLY GOT UNDER WAY JUNE 5 WITH TELEVISION APPEARANCE BY PRIMIN GEIR HALLGRIMSSON SPEAKING IN BEHALF OF INDEPENDENCE PARTY. IN LOW-KEY PERFORMANCE, HALLGRIMSSON DEFENDED GOI ECONOMIC POLICIES AND APPEALED FOR SUPPORT TO PREVENT ALTERNATIVE OF LEFTIST GOVERNMENT RETURNING TO POWER. PM HAS WORK CUT OUT FOR HIM SINCE PARTY FAITHFUL ARE ONLY NOW BEGINNING TO PULL THEMSELVES TOGETHER AFTER LAST WEEK'S MUNICIPAL ELECTIONS FOR CAMPAIGN FIGHT AHEAD. ONLY NATIONAL ISSUE TO EMERGE HAS BEEN ECONOMIC SITUATION, ALTHOUGH THERE ARE SIGNS THAT BOTH PARTIES IN GOVERNING COALITION MAY TRY TO GIVE INCREASING ATTENTION TO DEFENSE AND FOREIGN AFFAIRS. END SUMMARY.

1. THREE-WEEK ELECTORAL CAMPAIGN LEADING  
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UP TO ALTHING ELECTION BEGAN JUNE 5 WITH PM GEIR HALLGRIMSSON AS LEADER OF INDEPENDENCE PARTY (IP) SPEAKING ON TELEVISION IN SERIES "INTRODUCING THE PARTIES." HALLGRIMSSON TRIED TO REPEAT HIS PERFORMANCE OF LAST FALL WHEN, IN INTERVIEW WITH REPORTER FROM PEOPLE'S ALLIANCE (PA), PM SHOWED UNUSUAL TOUGHNESS FOR WHICH HE RECEIVED HIGH MARKS. ALTHOUGH HALLGRIMSSON

ACTED IN LOWER KEY DURING THIS APPEARANCE, HE WTILL LEFT RATHER FAVORABLE IMPRESSION.

2. HALLGRIMSSON PLAYED TWO THEMES: DEFENSE OF GOI ECONOMIC MOVES AND SUPPORT FOR IP AS ONLY ALTERNATIVE TO LEFTIST GOVERNMENT. ON ECONOMY, PM SAID THAT WORKERS HAVE NEVER BEEN BETTER OFF THAN THEY ARE TODAY, AND MAINTAINED THAT PURCHASING POWER OF WAGES IS FIFTEEN PERCENT HIGHER NOW THAN PRIOR TO 1974 ELECTION. HALLGRIMSSON SAID GOI TOOK TIME IN ACTING AGAINST ECONOMIC PROBLEMS BELIEVING THAT SYSTEM COULD CORRECT ITSELF, BUT IN FEBRUARY, IT WAS FACED WITH UNEMPLOYMENT IF IT DID NOT IMPOSE WAGE RESTRAINT. GOVERNMENT OPTED FOR LATTER BECAUSE GOI WOULD ALWAYS TAKE COURSE OF ACTION THAT WOULD PREVENT UNEMPLOYMENT.

3. GOI, PM CONTINUED, DID NOT WANT TO INTERFERE IN ECONOMIC SYSTEM. HE SPOKE OF IP'S TRADITIONAL BELIEF IN INDIVIDUAL FREEDOM, AND ITS OPPOSITION TO ANYTHING THAT WOULD PUT CONTROLS ON PEOPLE OR ECONOMIC LIFE. HE MADE APPEAL FOR SUPPORT OF IP SINCE HE CLAIMED ALTERNATIVE WOULD BE RETURN TO (1971-74) LEFTIST GOVERNMENT. HINTING AT DIRE CONSEQUENCES, HALLGRIMSSON SAID THAT NATION ALREADY HAD EXPERIENCE WITH SUCH A GOVERNMENT AND ICELANDERS KENW WHAT THAT MEANT.

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4. HALLGRIMSSON DID NOT COME ON LIKE HARD-CHARGING PARTY LEADER THOUGH THIS IS WHAT SOME HAD HOPED FOR. IP IS STILL LICKING ITS WOUNDS AFTER LOSING SOME IMPORTANT FIGHTS IN LAST WEEK'S MUNICIPAL ELECTIONS, AND PARTY IN PROCESS OF GETTING ITSELF BACK TOGETHER, SEEMS IN NEED OF SOME FIRM LEADERSHIP WHICH PM HAS NOT YET PROVIDED. IN LAST FEW DAYS, IP HAS BEEN WORKING OVERTIME ANALYZING MUNICIPAL RESULTS AND TRYING TO ADJUST TO NEW POSITION AS MINORITY ON REYKJAVIK CITY COUNCIL, BUT IT HAS YET TO COME UP WITH ANY CLEAR CAMPAIGN STRATEGY PLANS FOR NEXT THREE WEEKS.

5. SIGNS ARE THAT BOTH IP AND COALITION PARTNER PROGRESSIVE PARTY (PP) WILL DEVOTE MORE ATTENTION TO DEFENSE AND FOREIGN AFFAIRS. IP DAILY, MORGUNBLADID, HAD BOLDLY-HEADED ARTICLE JUNE 6 ECHOING PM'S WARNING ("IP OR LEFTIST GOVERNMENT") WHILE FEATURING LONG ARTICLE CHARGING THAT PREVIOUS GOVERNMENT HAD DECIDED IN 1974 ON WITHDRAWAL OF ICELAND DEFENSE FORCE (IDF). ARTICLE, DETAILING PLANS FOR IDF WITHDRAWAL, NOTED THAT DEFENSE FORCE WAS TO DEPART IN STAGES WITH LAST OF US PERSONNEL LEAVING IN MID-1976

AND WITH ICELANDERS ASSUMING CONTROL OF BASE, RADAR SITES, AND OTHER FACILITIES AT THAT TIME. THIS REPORT WAS BASIS FOR MORGUNBLADID EDITORIAL WHICH TRUMPETED THAT IT WAS ONLY IP VICTORY IN 1974 ELECTION THAT PREVENTED THIS WITHDRAWAL. EDITORIAL CONTINUED THAT REVIEW OF 1951 DEFENSE AGREEMENT LEADING TO 1974 MEMORANDUM OF UNDERSTANDING WAS IMPORTANT ACCOMPLISHMENT OF GOI SINCE IT ASSURED MAINTENANCE OF NATIONAL DEFENSE.

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C O N F I D E N T I A L SECTION 2 OF 2 REYKJAVIK 0763

6. PROGRESSIVE PARTY, TOO, HAS BEGUN TO PLACE ADDED EMPHASIS ON ITS FOREIGN AND DEFENSE ACCOMPLISHMENTS. FONMIN AGUSTSSON WAS QUICK TO TAKE CREDIT FOR NEW AGREEMENT PROVIDING USG ASSISTANCE FOR CONSTRUCTION OF DUAL USE TERMINAL AT KEFLAVIK (REYKJAVIK 0762 (NOTAL)(DTG 071220Z JUN 78) AND PP DAILY TIMINN FEATURED FRONT PAGE ARTICLE JUNE 6 TRACING HIGHLIGHTS OF ICELAND'S ATTEMPTS IN RECENT YEARS TO SECURE 200-MILE FISHING LIMITS. NARRATIVE DID NOT IGNORE ROLE OF PP FOREIGN MINISTER WHO WAS IN OFFICE DURING THIS PERIOD. PROGRESSIVES ARE SOMEWHAT VULNERABLE TO PA CHARGES OF DUPLICITY ON IDF-RELATED MATTERS SINCE PP HAS BEEN ON BOTH SIDES OF BASE RETENTION ISSUE IN PRESENT AND PREVIOUS GOVERNMENTS. SINCE PARTY MAY BE EVEN MORE VULNERABLE ON ECONOMIC QUESTIONS, HOWEVER, PP TRYING TO SEEK CREDIT FOR ANY ACCOMPLISHMENTS IT CAN.

7. BOTH PA AND SOCIAL DEMOCRATS HAVE YET TO KICK OFF  
THEIR ALTHING CAMPAIGNS. THEY ARE STILL RIDING HIGH  
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ON MUNICIPAL ELECTION VICTORIES AND CONTINUE TO GARNER  
PUBLICITY AS A RESULT. THEY MAY GO INTO HIGHER GEAR  
LATER IN WEEK FOLLOWING THEIR OWN RESPECTIVE TELE-  
VISION DEBUTS JUNE 7.  
BLAKE

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## Message Attributes

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JUNE 5 WITH TELEVISION APPEARANCE BY PRI  
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**Review Markings:**  
Sheryl P. Walter  
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